Montana **HOME** Investment Partnerships Program

Fiscal Year 2007 Application Guidelines

MONTANA
Department of Commerce

EQUAL HOUSING OPPORTUNITY

HOUSING
DIVISION

HOME Investment Partnerships Program

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EQUAL HOUSING OPPORTUNITY

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MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIPS PROGRAM

I. PURPOSES AND GOALS

The HOME Program's purposes and goals are to:

- Expand the supply of decent, safe, sanitary, and affordable housing for low and very low-income Montanans;

- Mobilize and strengthen the abilities of units of local government and Community Housing Development Organizations (CHDOs) to implement strategies for achieving an adequate supply of decent, safe, sanitary, and affordable housing; and

- Provide participating entities, on a coordinated basis, with various forms of federal housing assistance.

Montana Department of Commerce (MDOC) will focus on the purposes and goals listed below. The priorities are outlined in more detail in the State of Montana Consolidated Plan and its corresponding Annual Action Plan.

- **Housing Stock:**
  Assist in the preservation of existing or construction of decent, safe, sanitary, and affordable housing, ensuring geographic distribution as well as a mix of both urban and rural projects.

- **Affordability:**
  Increase or improve the stock of affordable rental units and the affordability of homeownership.

- **Greatest Need:**
  In areas where the greatest need is identified, give preference to those projects that serve the lowest income Montanans, which may include elderly and physically or mentally disabled Montanans needing assistance. Address housing needs for minority and special needs populations and assist in building local capacity to meet those needs.

- **Gap Financing:**
  Allocate only the minimum amount of HOME funds that MDOC determines to be necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the period of affordability. Give preference to projects that provide the greatest number of qualified affordable units relative to the HOME funds allocated.

- **Access to the HOME Program:**
  Provide opportunities for local governments, Public Housing Authorities (PHAs) and CHDOs to access the HOME Program on behalf of low and very low-income residents.

- **Innovation:**
  Encourage innovative approaches in planning, design, construction, energy efficiency, and financing which are cost-effective in providing affordable housing. Address housing environmental hazards, such as lead-based paint, asbestos, and black mold. **See Section VI, Part F, Incentives for Innovative Design, for additional information.**

- **Leverage Private Sector Funds:**
  Maximize the investment of private capital to leverage HOME funds and use existing agencies and private sector mortgage financial institution resources, while retaining the affordability of housing with local and private investment.

The MDOC also supports the implementation performance outcome measurement system established by the U.S. Department of Housing and Urban Development (HUD) for its programs. The MDOC has adopted the framework of HUD's outcome measurement system as the foundation for establishing performance measures and outcomes for the HOME program.

The intent when funding an activity determines which of the three **objectives** best describes the purpose of the activity. The three objectives are:

- **Suitable Living Environment**: In general, this objective relates to activities that are designed to benefit communities, families, or individuals by addressing issues in their living environment.
- **Decent Housing:** The activities that typically would be found under this objective are designed to cover the wide range of housing possible under HOME, CDBG, HOPWA or ESG. This objective focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort, since such programs would be more appropriately reported under Suitable Living Environment.
- **Creating Economic Opportunities:** This objective applies to the types of activities related to economic development, commercial revitalization, or job creation.

Similarly, once the objective for the activity is selected, one of three outcome categories that best reflects what will be achieved by funding the activity must be selected. The three outcome categories are:

- **Availability/Accessibility:** This outcome category applies to activities that make services, infrastructure, public services, public facilities, housing, or shelter available or accessible to low- and moderate-income people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living available and accessible to low- and moderate-income people where they live.

- **<u>Affordability</u>:** This outcome category applies to activities that provide affordability in a variety of ways in the lives of low- and moderate-income people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation or day care.
- **<u>Sustainability - Promoting Livable or Viable Communities</u>:** This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low- and moderate-income or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

Each outcome category can be connected to each of the overarching objectives, resulting in nine groups of outcome/objective statements under which to report the activity or project data to document the results of the activities or projects. Each activity will provide one of the following statements, although sometimes an adjective such as new, improved, or corrective may be appropriate to refine the outcome statement.

	Outcome 1: Availability or Accessibility	**Outcome 2:** Affordability	**Outcome 3:** Sustainability
Objective 1: Suitable Living Environment	Enhance Suitable Living Environment through Improved Accessibility	Enhance Suitable Living Environment through Improved or New Affordability	Enhance Suitable Living Environment through Improved or New Sustainability
Objective 2: Decent Housing	Create Decent Housing with Improved or New Availability	**Create Decent Housing with Improved or New Affordability**	Create Decent Housing With Improved or New Sustainability
Objective 3: Economic Opportunities	Provide Economic Opportunity through Improved or New Accessibility	Provide Economic Opportunity through Improved or New Affordability	Provide Economic Opportunity through Improved or New Sustainability

Most HOME-funded projects will fall under Objective 2/Outcome 2: Create Decent Housing with Improved or New Affordability.

In accordance with these stated purposes, goals, objectives and outcomes, the MDOC **<u>will only process</u>** applications consistent with the purposes and goals of these guidelines and the state's Consolidated Plan.

MDOC will consider the capacity of the grantee, its management team, and the availability of contractors and subcontractors in assessing the viability of each proposed project.

II. POLICIES AND PROCEDURES

MDOC is responsible for the administration of the HOME Program in accordance with Title 24 Code of Federal Regulations Part 92. The HOME Program Application Guidelines provide a system for the allocation of HOME funds. Funding under the Guidelines is available throughout the State of Montana, with the exception of Billings, Great Falls and Missoula, which receive allocations of HOME funds directly from HUD.

A. APPLICATION DEADLINE

Applications must be received at the MDOC office in Helena or be postmarked on or before 5 p.m. on Friday, **February 16, 2007**. Full applications by facsimile will NOT be accepted.

Applicants must deliver one (1) original and three (3) complete copies of the application to:

Mailing Address	Physical Address
Montana Department of Commerce	Montana Department of Commerce
HOME Program	HOME Program
P.O. Box 200545	301 South Park – 2nd Floor, Rm 240
Helena, MT 59620-0545	Helena, MT 59601

Applications become the property of MDOC and will not be returned. Successful applications are loaned to potential applicants upon request. Inaccurate information contained in an application will disqualify the Applicant from consideration. The Minimum Threshold Requirements for each HOME Application are included in the Ranking Criteria. **Applicants who fail to meet any minimum threshold requirement will not be considered for funding.** Minor corrections to applications may be allowed, but applications requiring substantial revision or which are substantially incomplete will not be reviewed or ranked.

B. ALLOCATION

MDOC will distribute FFY 2007 funds geographically throughout eligible areas of the State. The Uniform Application and HOME-specific ranking criteria are designed to ensure that only projects which can be completed in a timely manner will be approved.

A minimum of 15 percent of the total HOME funds is available only to MDOC-certified CHDOs performing HOME CHDO-eligible activities. A CHDO is a nonprofit entity that has received a tax-exempt ruling under sections 501(c)(3) and (4) of the Internal Revenue Code of 1986, and is certified by MDOC as meeting the CHDO requirements contained in **Exhibit 1**.

Montana's FFY 2007 HOME allocation will be approximately **$4,600,000.** Tentative allocations are provided below.

FFY 2007 Tentative Allocation	$ 4,600,000
CHDO project funds (minimum 15%):	$ 690,000
State Recipient project funds (maximum):	$ 3,450,000 *
MDOC administration funds (maximum 10%):	$ 460,000

If all funds are not awarded due to insufficient applications meeting the minimum funding threshold, remaining funds will be awarded through a second round of competition or retained and allocated in the next funding cycle. In the event that a second round of competition is needed, it will be open to all local governments (including entitlement cities), CHDOs, and Public Housing Authorities within the State. MDOC reallocation of unused funds may result from:

- uncommitted current fiscal year funds;
- unexpended or uncommitted funds from previous grant awards;
- program income returned to the State; and/or
- funds withdrawn from a tentative grant commitment when an Applicant is unable to fulfill the required contract conditions, including securing final commitments of all funding sources.

C. MAXIMUM GRANT AMOUNT

When allocating funds, HOME considers the total amount of assistance from both public and private sources needed to ensure project feasibility. Applicants may request up to a total of $500,000 in HOME funds. Requesting funds for administration is not allowed; however, Applicants may request project dollars for administration-related soft costs in an amount corresponding to the following housing activities:

New construction, TBRA, Acquisition.............................8%
Rehabilitation 12%

In calculating the allowable soft cost for a project, round all amounts to the nearest $100. For example:

8%	$300,000 ÷ 1.08 =	$ 277,800	project
		$ 22,200	soft costs
12%	$500,000 ÷ 1.12 =	$ 446,400	project
		$ 53,600	soft costs

All HOME costs (including soft costs) must be tied to specific housing addresses.

Applicants should request only the minimum level of funding necessary to carry out their programs. Grant requests must be sufficient in combination with other proposed

* Any American Dream Downpayment Initiative (ADDI) funds will be included in this amount. HUD has not yet provided a planning amount to MDOC for FY 2007. The ADDI funds must be utilized to provide downpayment and closing cost assistance to income-qualified first-time homebuyers. Up to 20% of the funds may be used for rehabilitation, in conjunction with the purchase of the home.

funding sources, to complete the proposed activities within the contract period. The contract period lasts 24 months from the date the MDOC Director signs the contract. **Contracts between the grantee and the MDOC must be signed within four (4) months of grant award.**

An Applicant submitting a relatively small grant request should consider whether the proposed activities would result in high administrative-related costs relative to the total program cost.

A HOME application must include:

- ✓ a completed Uniform Application for Montana Housing, Loan, Grant & Tax Credit Programs (see **http://housing.mt.gov/Hous_Apps.asp**),
- ✓ a narrative response to all HOME Ranking questions in these guidelines (see **http://housing.mt.gov/Hous_HM_Apps.asp**), and
- ✓ adequate supporting documentation.

Applicants may obtain both the Uniform Application form and the HOME ranking criteria electronically from MDOC.

D. ELIGIBLE APPLICANTS

Each eligible Applicant **may submit only one application** for competitive funds in the FFY 2007 HOME grant competition. In the event of a second round of competition, Applicants tentatively awarded HOME funds in the first round are not eligible to apply for second-round funding. **Applicants may conduct a homebuyer assistance and/or homeowner rehabilitation program through the HOME Single Family Pilot Program and still apply for competitive HOME funds.**

LOCAL GOVERNMENTS

A **local government** entity may sponsor an application on behalf of a nonprofit or a for-profit organization. If awarded funds, the Applicant (local government) remains responsible for meeting all HOME requirements, including those related to long-term affordability. Grantees may provide HOME funds to the project in the form of a grant or a loan that will be repaid from operating income.

Counties may apply to use HOME grant funds for activities proposed to resolve housing problems in the unincorporated jurisdiction of the county. A county may apply for a housing project that will include activities within the jurisdiction of an incorporated city or town if the proposed project is intended to benefit all county residents. A county may apply for a grant to fund a project that would assist two or more separate, unincorporated communities.

Municipalities may apply to use HOME grant funds for projects proposed within the jurisdiction of the incorporated city or town. A municipality may apply for a project located outside the city's jurisdiction if it can provide assurances that the project area will be annexed by the municipality within the HOME contract period.

Consolidated city-county governments will be considered as two separate jurisdictions: the city jurisdiction and the unincorporated jurisdiction of the county. Each may apply separately for HOME funds. The city and county boundaries, as delineated on the date of consolidation, will define the jurisdiction of each.

HOME entitlement cities (currently Billings, Great Falls and Missoula) receive HOME funds directly from HUD and, as such, receive and process all HOME applications for projects within their city limits. Entitlement cities are not eligible Applicants for MDOC HOME funds unless a second round of competition is proposed.

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

CHDOs are MDOC-certified organizations that are incorporated as nonprofits under State of Montana law. A CHDO must demonstrate staff capacity and development in order to retain CHDO status; a CHDO may not subcontract all program-related duties on a continual basis. CHDOs can apply for HOME grant funds to complete eligible *development*, *ownership*, and *sponsorship* housing projects within their jurisdiction. Such activities include new construction of multi- or single-family housing, acquisition of multi- or single-family housing and rehabilitation of multi- or single-family housing owned by the CHDO in conjunction with acquisition of multi- or single-family housing. **Exhibit 1** contains a chart of eligible CHDO activities.

CHDOs are also eligible to participate in non-CHDO housing activities. According to HUD regulations, tenant-based rental assistance (TBRA), homebuyer assistance (where the CHDO does not hold title to the property at some time during the grant period, immediately prior to the new homeowner) and homeowner rehabilitation projects are not considered CHDO-eligible activities. A CHDO may apply for funds to perform a non-CHDO activity, but would not receive special consideration for the 15 percent set-aside funds.

CHDOs must submit, with their application, a letter from the unit(s) of local government for the political jurisdiction in which the HOME activities are proposed. The letter must state the local government is aware of the proposed CHDO housing project and the project is consistent with local comprehensive plans and zoning ordinances. A CHDO administratively headquartered in an entitlement city may propose a project within its operational area and compete for MDOC HOME funds, as long as the proposed project is not within the entitlement city limits or jurisdiction. In the event of a second round of funding, a CHDO may propose a project within its operation area, which is also within an entitlement's jurisdictional area.

PUBLIC HOUSING AUTHORITY (PHA)

PHAs are eligible Applicants in the Montana HOME Program. PHAs apply as quasi-local governmental entities, and as such, follow the same application requirements as local governments.

PHAs may apply for projects inside the jurisdictional area (up to 10 miles outside the city limits) they serve. For entitlement city PHAs, first round applications are only accepted for projects outside the entitlement city limits, but within the PHAs jurisdictional area. PHAs must secure the services of the applicable local government office for initial environmental screening and, eventually, the complete environmental review.

PHAs must submit, with their application for funding, a letter from the unit(s) of local government for the political jurisdiction in which the HOME activities are proposed. The letter must state the local government is aware of the proposed housing project and that the project is consistent with local comprehensive plans and zoning ordinances.

JOINT APPLICANTS

Joint Applicants (two or more eligible Applicants) may submit one application under the following conditions:

- the problem to be addressed lies in an area of contiguous jurisdiction;
- the solution to the common problem clearly requires cooperative action and is the most efficient strategy;
- the total amount of the HOME funds requested does not exceed $500,000;
- the joint Applicants do not apply for another HOME grant during the same grant competition; and
- one joint Applicant is designated as the *Lead Applicant* during the term of the HOME project and period of affordability. The Lead Applicant must accept full responsibility for application submission and for administrative, regulatory, and financial management requirements.

E. ELIGIBILITY REQUIREMENTS

Grantees (including all entities of a joint application) currently administering a HOME grant are eligible to reapply for an additional HOME grant if:

- the Grantee is in compliance with the project implementation schedule contained in its HOME contract with MDOC;
- there are no unresolved audit, monitoring, or performance findings for any previous HOME grant award to the Applicant;
- the Grantee with an open FFY 2006 grant has 75% of the project funds drawn down by February 16, 2007; and
- all projects over two years old (FFY 2005 and earlier grants) are completed and are conditionally closed out before applying for additional funds.

F. DISCLAIMERS

MDOC reserves the right to reserve and allocate HOME funds to any project. MDOC may deny HOME funds for any project, regardless of the ranking score under the project selection criteria, if it determines, in its sole discretion, the project is unacceptable based on, but not limited to the following:

- negative comments on or lack of support from officials of local governmental jurisdictions,
- information that a particular market is saturated with affordable housing projects,
- the likelihood that the project may not comply with HOME program requirements in a timely manner, or
- the applicant's (including any related party's) lack of or unacceptable prior experience and performance related to compliance with housing assistance or other government-sponsored programs, regardless of type and location.

If MDOC determines not to award HOME funds on such basis, it will set forth the reasons for such determination.

All funding decisions made under these Guidelines shall be made solely at the discretion of MDOC. MDOC in no way represents or warrants to any Applicant, investor, lender, or any other party that a proposed project is, in fact, feasible or viable.

MDOC reserves the right to place special conditions on projects.

MDOC reserves the right to modify or waive, on a case-by-case basis for good cause, any condition of these Guidelines that is not mandated by the 24 CFR Part 92.

MDOC reserves the right to exchange information with other state and federal allocating agencies and with other parties as deemed appropriate. By submitting an application for HOME funds, the Applicant is acknowledging and agreeing to this exchange of information.

If HOME funds are expended on a project that is terminated before completion, the expended funds must be repaid with interest calculated based on one-year Treasury rates as of the date of cancellation.

No executive, employee or agent of MDOC or any other official of the State of Montana shall be personally liable concerning any matters arising out of, or in relation to, the allocation of HOME funds or the approval or administration of these Guidelines.

G. DEFERRAL TO FEDERAL LAW

To the extent that anything contained in these Guidelines does not meet the minimum requirements of federal law or regulation, such law or regulation shall take precedence over these Guidelines.

III. GENERAL REQUIREMENTS

A. ELIGIBLE ACTIVITIES

HOME funds may be used to develop and support homeowner and rental opportunities. Regardless of the type of activity applied for, all projects must be completed within 24 months from the date the MDOC Director signs the contract with the Grantee. The contract must be executed within four (4) months after the grant is awarded. (See Management Plan Template, Part I, Project Implementation Schedule).

An Applicant may choose to apply for more than one activity; however, each activity must be able to stand on its own. This means that **all** ranking criteria must be addressed for **each** activity.

At the discretion of MDOC and where allowable under federal law, eligible activities and their corresponding costs allowed under HOME include:

1. Homebuyer Assistance and Homeowner Rehabilitation through the Single Family Pilot Program

In June 2006, the HOME Program began a pilot program for homebuyer assistance and homeowner rehabilitation programs. Under this pilot program, half of the annual allocation is dedicated to HBA and HOR programs and is distributed throughout the state by using a formula to divide funds by district of counties. The pilot program eliminated an applicant's expense in writing a HOME application to access funds for these two programs. Under the pilot program, there is no deadline, application or scoring. Interested applicants must submit a qualification package to the HOME Program. Details of the pilot program and qualification package can be found at the HOME Program website - http://housing.mt.gov/Hous_HM.asp or by contacting the HOME Program office at 406-841-2820.

Eligible Homebuyer Assistance activities are:

- Costs related to assisting qualified homebuyers in purchasing a home, including those related to down payment and closing cost assistance.

Eligible Homeowner Rehabilitation activities are:

- Costs related to the rehabilitation of owner-occupied housing including costs to make essential improvements including energy-related repairs or improvements, modifications necessary to permit use by persons with disabilities, the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure. For each house rehabilitated with HOME funds, the entire unit must be brought up to applicable property standards and model energy code.

NOTE: These funds are extremely limited and multiple entities may have access to the funds in a particular district. Due to this fact, entities that are

developing multiple single family housing units (i.e. new construction) and intending to use HOME funds are recommended to access the competitive HOME funds as outlined in these guidelines. Otherwise, entities wishing to conduct HBA (downpayment and closing cost assistance) and HOR programs my access only the Single Family Pilot Program.

1. **Rental Rehabilitation:**
    - Costs to meet the applicable rehabilitation standards in effect at the time a building permit is obtained from the locality. Costs to make essential improvements including energy-related repairs or improvements, modifications necessary to permit use by persons with disabilities, the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure. The application must describe in detail the rehabilitation and the cost necessary to repair the exterior and interior by unit, if applicable. If the description is not definitive, the application may be rejected. <u>Every unit rehabilitated with HOME funds must be brought up to all applicable housing standards</u>.

    - Costs to convert a non-residential structure to residential housing. Conversion of an existing non-residential structure to affordable housing is considered rehabilitation, unless the conversion entails adding one or more units beyond the existing walls, in which case the project is then considered new construction.

2. **New Construction:**
    - Costs to construct either single-family or multi-family housing, including costs to meet the new construction standards in effect at the time a building permit is obtained from the locality. **Newly constructed housing must also meet the 2006 International Energy Conservation Code (IECC 2006), which will replace IECC 2003 as the Montana Energy Code in early 2007.**

    - Costs for improvements to the project site that are comparable with the surrounding standard developments, and costs to make utility connections including off-site connections from the property line to the adjacent street. Site improvements may include sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.

3. **Tenant-Based Rental Assistance (TBRA)**
    - Costs to provide rental assistance and/or security deposits to families for <u>a period not to exceed 24 months</u>.

4. **Acquisition**
    - Costs to acquire an existing multi- or single-family structure that may or may not require rehabilitation.

- Costs for acquisition of existing affordable housing in need of rehabilitation and requiring financial assistance to maintain the affordability of the project.

- Costs for acquisition of vacant land will be undertaken only in conjunction with a specific housing project intended to provide affordable housing under this program and for which construction funds have been committed before the commitment of HOME funds to the acquisition. Land banking (purchase of land on speculation of construction) is not permitted.

B. INELIGIBLE ACTIVITIES

HOME funds may not be used for:

1. Tenant-based rental assistance for certain mandated existing Section 8 Program uses.

2. The non-federal matching contributions required under any other Federal program.

3. The development or modernization of public housing or to provide annual contributions for the operation of public housing (Section 9 of the 1937 Act).

4. Providing assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages).

5. Providing assistance to a project previously assisted with HOME funds during an existing affordability period (excludes rehabilitation projects).

6. Providing operating subsidies or project reserve accounts.

7. Providing assistance to ineligible properties such as commercial properties (to be used solely for commercial purposes), temporary shelters, emergency shelters, and student housing.

8. Reimbursement of property in the Grantee's inventory or purchased for another purpose. However, in anticipation of carrying out a HOME project by an eligible Applicant, HOME funds may be used to acquire property.

9. Any emergency repair costs to property such as damage due to flooding, fire, natural disasters, etc.

10. Any costs that are not eligible under project costs, administrative and planning costs, operating costs, and tenant-based rental assistance costs.

11. Payment of delinquent taxes, fees or charges on properties to be assisted with HOME funds.

C. PROJECT PERIOD OF AFFORDABILITY

Period of affordability refers to the length of time HOME assisted units must remain affordable. Deed restrictions or covenants running with the land or other approved mechanisms will ensure the period of affordability, depending on the amount of HOME dollars invested per unit in the project. After the required affordability period, the property may be sold without HOME restrictions. The following table outlines the minimum affordability periods:

Activity	Years of Affordability			
	5	10	15	20
New Construction or Acquisition of Newly Constructed Rental Housing (any $ amount)				X
Rehabilitation or Acquisition of Existing Housing, with HOME funds invested per unit as follows: Under $15,000	X			
$15,000 to $40,000		X		
Over $40,000 or Rehabilitation involving Refinancing (Rental Housing Only)			X	
Homeowner Rehabilitation	No period of affordability (placement of restriction on sale or rental of rehabilitated property is appropriate, and recommended)			

Owner-occupied rehabilitation projects: A period of affordability is not required on owner-occupied rehabilitation projects. Since the intent of the program is to create affordable housing units, HOME Grantees may choose to implement a period of affordability for owner-occupied rehabilitation projects. Such a requirement serves to protect the Grantee's HOME investment and discourage "fix and sell" opportunists. The Montana HOME Program encourages the use of affordability restrictions with homeowner rehabilitation projects.

Multi-family projects: During the period of affordability, the property owner must re-verify tenant income annually through an approved verification method. Additionally, each unit must be inspected annually to ensure the units are decent, safe, and sanitary. Housing must be maintained in compliance with applicable State or local housing quality standards. If there are no such standards, the housing must meet the housing quality standards in 24 CFR 982.401 (HQS). HOME program staff will perform on-site inspections throughout the period of affordability. The frequency of on-site inspections depends upon the total number of project units: one to four units, every three years; five to twenty-five units, every two years; 26 or more units, annually.

D. MINIMUM AMOUNT OF ASSISTANCE

The minimum amount of HOME funds invested in any project is $1,000 for each HOME-assisted unit in the project.

E. SUBSIDY LAYERING GUIDELINES

For those projects which combine HOME and other government subsidies, MDOC must perform a subsidy layering review to ensure that government subsidy is not excessive in accordance with HUD CPD Notice 98-01, dated January 22, 1998. A copy of this notice is available upon request.

F. TENANT RELOCATION AND DISPLACEMENT

MDOC will not allow permanent displacement of current residents of any project funded with HOME funds. All residential tenants in place prior to the submission of an application through the completion of the proposed construction and issuance of the certificate of occupancy are candidates for assistance under this provision found in 24 CFR 92.353. If there are existing residents who are not eligible for the program, the owner may request HOME assistance for vacant units or those occupied by eligible tenants only. Owners of developments with tenants in place prior to submission of the application MUST comply with Federal Relocation Requirements found in 24 CFR 92.353.

Applicants are encouraged to notify MDOC before proceeding with an application to ensure that proper procedures are followed. Please refer to **Exhibit 2** for a sample letter to inform existing residents of their rights. Improper procedures may substantially increase the costs to the project or render the project infeasible. The project owner will pay relocation payments and other relocation assistance, including replacement-housing costs, moving expenses, and reasonable out-of-pocket costs incurred in the relocation of persons.

G. MATCH

HOME Program participants must contribute to qualified housing in an amount equal to at least five percent (5%) of HOME project funds. These contributions are referred to as match.

An example of the HOME program match obligations for FFY 2007 is shown below.

Total HOME funds... $ 300,000
Match requirement: $300,000 x .05 =................. $ 15,000

(**Note:** Please contact the HOME Program regarding match requirements for TBRA)

A match amount equaling five percent of project funds is a minimum threshold requirement. During the ranking process, an Applicant's proposed match will be compared to other applications submitted. Before submitting an application, an Applicant MUST consult with HOME Program staff at (406) 841-2820 to determine if its proposed match source is eligible and request, in writing, a letter from MDOC confirming match eligibility. The written request for confirmation must include the specific dollar amounts for all proposed sources of match, and the amount of HOME funds to be requested. **The Applicant must submit the confirmation letter from MDOC in its grant application.** Applicants must clearly document proposed matching contributions or HOME will not consider the grant application for ranking.

To be considered eligible match, a contribution must be made from <u>**nonfederal sources**</u> and must be made to housing that is assisted with HOME funds. Refer to Matching Contribution Requirements, found in **Exhibit 3**.

H. CONSOLIDATED PLAN

HOME Program participants must submit proposals that are consistent with the Montana Consolidated Plan. Before submitting an application, an Applicant MUST consult with the Consolidated Plan Coordinator to determine if the proposed project is consistent with the Consolidated Plan. The Applicant must request, in writing on the Applicant's letterhead, a Certificate of Consistency with the Consolidated Plan. The letter must include a brief description of the project including type of project, location, beneficiaries, etc. **The Applicant must submit the MDOC Certificate of Consistency in its application**. Requests for a Certificate of Consistency should be made at least one week in advance of the application due date and should be addressed to:

Leslie Edgcomb, Consolidated Plan Coordinator
Montana Department of Commerce, Housing Division
PO Box 200545
Helena, MT 59620

I. CITIZEN PARTICIPATION

Applicants must provide citizens adequate notice and opportunity for involvement in the planning and development of HOME applications. Applicants must:

- Hold a minimum of one public hearing or meeting before submission of the application. The purpose of the public hearing or meeting is to solicit public comment on community housing needs and priorities and to discuss the HOME program as a potential source of funding. The Applicant should give due consideration to all comments before the determination of a proposed project.

- Submit a record of any public hearings or meetings and copies of the public notices for the hearings or affidavits of publication for the notices, held in relation to the application for HOME funds. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens are sufficient.

Many Applicants find it advantageous to hold two or more public hearings or meetings. The first to obtain comments, the second to discuss the nature of the proposed project considered for application. Regardless of how many hearings are held, one must be held within two months of the application deadline.

Formal public notice must be provided before public hearings or meetings are held. Refer to the sample Meeting Notice in **Exhibit 4**. It is recommended that advertisement for public hearing or meetings be published twice, at least one week apart, in the newspaper with the widest local readership. It is also recommended that notices be posted in public places as well, such as a post office, grocery store, library, and senior center, among others. Hearings/meetings must be held at times and locations convenient to potential beneficiaries and in a facility that is physically accessible for persons with disabilities.

J. MARKET ANALYSIS

Applicants must document the need and potential market for any proposed rental project. Applicants are strongly encouraged to conduct a market analysis prior to undertaking a homebuyer assistance or homeowner rehabilitation program. Differing levels of analysis are required to determine the need and market for any given project depending on the type and complexity of that project. As with any investor, the higher the risk involved with a project, the more analysis the HOME Program will require with an application. This suggests that there is a spectrum of analysis ranging from a formal market study for newly constructed rental housing to minimal market analysis for tenant-based rental assistance.

At the base of any market analysis is a housing needs assessment, which is often a survey done as part of a broader community needs assessment. The results of a housing needs assessment should be analyzed for direction, rather than just tabulated for reporting. This analysis should identify a list of housing needs with a corresponding list of opportunities for meeting those needs.

After the list of needs and opportunities is identified, the Applicant must analyze the market to identify a specific potentially feasible project and provide a greater level of detail about that project’s market potential. The Applicant should identify the specific demand for a project in terms of who would want to participate in the proposed project, and who would have the capacity and qualifications to do so.

A market analysis will answer a variety of questions and document the market for a specific project. **Exhibit 5** provides an outline of the required analysis and the corresponding documentation to submit with a HOME application.

K. ENVIRONMENTAL REVIEW

The environmental effects of each activity carried out with HOME funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and the related authorities listed in HUD's implementing regulations at 24 CFR Parts 50 and 58 and the Montana Environmental Policy Act (MEPA). Applicants must complete the Environmental Uniform Request for Information checklist found in the Uniform Application, Section D. This does not constitute an environmental review, but Applicants use this form to initially evaluate environmental circumstances that may affect the proposed project and to raise their awareness of possible problems. If the Applicant is a CHDO or PHA, the unit of local government in whose jurisdiction the project is located must agree to conduct the environmental review on behalf of the CHDO or PHA. For projects spanning the jurisdiction of several municipalities, each local government must commit to conducting an Environmental Review for its jurisdiction.

Applicants are not required to complete an Environmental Review or Assessment before the application deadline. However, completion of the environmental review process is mandatory before taking a physical action on a site, or making a commitment or expenditure of HOME or non-HOME funds for property acquisition, rehabilitation, conversion, lease, repair, or construction activities. (Non-HOME funds are any other Federal, state, local, private, or other funds). Applicants must provide documentation in their application to demonstrate that a unit of local government agrees to conduct the Environmental Review, if funding is awarded. CHDOs and PHAs must get such a commitment from the appropriate local government(s).

L. LEAD-BASED PAINT (LBP)

Housing that is built prior to January 1, 1978 and is assisted with HOME funds constitutes HUD-associated housing for the purpose of the Lead-Based Paint Poisoning Prevention Act and is subject to 24 CFR part 35. Unless otherwise provided, Grantees are responsible for inspection, testing, interim controls or abatement, and clearance activities.

LBP regulations do <u>not</u> apply to:

- housing built after January 1, 1978;
- property that has had all LBP removed and/or has been found to be free of LBP by a certified LBP inspector.
- housing designated (in the lease or residency agreement) as exclusively for the elderly or persons with disabilities, unless a child under 6 years of age resides or is expected to reside in the unit. This exemption does not include owner-occupied single-family housing; and
- any zero-bedroom dwelling, including efficiency apartments and single-room occupancy housing.

The lead hazard regulations are particularly pertinent for projects conducting rehabilitation, acquisition, and/or TBRA. Required lead hazard reduction activities are based on the **HOME investment per unit**, excluding the cost to address any LBP hazard. Refer to **Exhibit 6** for details regarding the process for complying with LBP regulations.

Tenant Based Rental Assistance (TBRA) projects have specific requirements for assistance to families or households that have one or more children under the age of six. These requirements are:

- Notification;
- Lead hazard evaluation;
- Lead hazard reduction;
- Ongoing maintenance; and
- Responding to children with environmental intervention blood lead levels.

Refer to **Exhibit 7** for details regarding the process for complying with LBP regulations relative to TBRA programs.

Applicants applying for HOME funds to implement homeowner rehabilitation, rental rehabilitation, homebuyer assistance or a tenant-based rental assistance program must demonstrate an understanding of LBP regulations and have a process in place to provide satisfactory compliance with the LBP regulations. The HOME program will thoroughly review the Applicant’s written policies and guidelines in its management plan, and assess its ability to provide the necessary personnel and the qualified contractors. Applications for programs that require LBP policies will not be funded unless detailed policies are provided in the application.

For housing that has been kept in good repair and, upon a visual assessment, does not have deteriorated paint (cracking, scaling, chipping or peeling), LBP is not considered a hazard, unless surfaces will be disturbed during rehabilitation activities. A visual assessment certification is obtained by completing the HUD certified on-line training at:

http://www.hud.gov/offices/lead/training/visualassessment/h00100.htm

M. CONTRACT OPPORTUNITIES TO MINORITY AND WOMEN-OWNED BUSINESSES

Affirmative steps will be taken to assure that minority and women-owned businesses are used, when possible, as sources of supplies, equipment, construction, and services. An Applicant’s Management Plan should contain a Grantee’s plan to take such affirmative steps.

N. CHDO PRE-DEVELOPMENT LOAN

Certified CHDOs, applying for a CHDO-eligible activity, may request a Pre-Development Loan. The pre-development loan is intended to provide CHDOs access to funds for up-front, eligible project expenditures necessary for determining the feasibility of a specific CHDO-eligible HOME project. The loan amount a CHDO may request is equal to 10 percent of the HOME project funds being requested. The total HOME grant, including Pre-Development Loan and soft costs, if requested, may not exceed $500,000. Refer to **Exhibit 16** for details regarding the requirements of a CHDO Pre-Development Loan.

O. PROGRAM INCOME AND CHDO PROCEEDS PLAN

Each successful Applicant will prepare a Program Income or CHDO Proceeds Plan, as part of its Management Plan. **Program Income** is any repayment, interest earned and return on any investment of HOME funds during the applicable period of affordability. **CHDO Proceeds** are funds generated from CHDO-eligible activities. Once CHDO proceeds have been reported and used once on HOME-eligible activities, there are no further HOME requirements. Contact your HOME program officer for additional information on Program Income and CHDO Proceeds.

P. CONFLICT OF INTEREST REQUIREMENTS

Participants in a local HOME project may have possible conflicts of interest, either individually or in connection with a family member or relative, that precludes them from participating in the program. **HUD** may grant an exception on a case-by-case basis.

A local governing body may request an exception to a conflict of interest, but *only after complete disclosure of the nature of the conflict at an advertised public hearing held for that purpose.* The Grantee's attorney must issue an opinion that the interest for which the exception is sought does not violate federal, state, or local law. HUD will then review the information concerning disclosure, public hearing, and attorney's opinion.

The requirements for public disclosure, attorney's opinion, and request for exception by HUD should be described in the Applicant's Management Plan.

IV. PROGRAMS

A. RENTAL HOUSING

HOME funds may be used for acquisition, new construction or rehabilitation of affordable rental housing. The developers or owners of the rental housing may be small scale property owners, for-profit developers, nonprofit housing providers, CHDOs or the local government, redevelopment organizations, or public housing authorities.

Maximum HOME per-unit subsidy limits apply to rental units. The actual subsidy provided will depend on the following:

- The proportion of the total project costs that is HOME-eligible.
- How many of the units in the project are HOME-assisted – for projects with a mix of HOME and non-HOME-assisted units.
- The financial needs of the project – HOME projects may not receive more subsidy than is required to make them financially feasible.

A HOME-assisted unit is one that has been assisted with HOME funds. HOME rent and occupancy rules apply only to HOME-assisted units. The number of HOME-assisted units must be specified at project commitment – a partial amount of the units or all of the units.

The applicant must select "fixed" or "floating" units at the time of project commitment. Fixed units refers to HOME-assisted units that are designated at the time of project commitment. The units never change, and are subject to HOME rent and occupancy requirements. Floating units are units designated as HOME-assisted and may change over time as long as the total number of HOME-assisted units in the project remains constant. The units must remain comparable to the non-assisted units over the affordability period in terms of size, features and number of bedrooms.

1. HOME Rents

Every HOME-assisted unit is subject to rent limitations designed to help make rents affordable to low- and very low-income households. These maximum rents are referred to as HOME Rents – high HOME rents and low HOME rents. The HOME rents are provided by HUD and updated annually in February or March per 24 CFR Part 92.252.

The HUD website for current HUD HOME Program Rents is:

http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm

The HOME rent limits provided by HUD include average utility allowances. In rental projects with five or more HOME-assisted units, at all times throughout the affordability period, twenty (20) percent of the HOME-assisted units must be occupied by very low-income families paying low HOME rents, as defined below.

a. High HOME Rent

Maximum HOME rents are the lesser of:

1) The Section 8 Fair Market Rents (FMRs) for existing housing; OR

2) Thirty (30) percent of the adjusted income of a family whose annual income equals 65 percent of the median income, with adjustments for number of bedrooms in the unit.

b. Low HOME Rent

For properties with five or more HOME-assisted units, at least 20 percent of HOME-assisted units must have rents which are no greater than:

1) Thirty (30) percent of the annual income of a family whose income equals 50 percent of the area median income, with adjustments for family size, OR

2) Thirty (30) percent of the tenant's monthly adjusted income, OR

3) If a project has a Federal or State project-based rental subsidy and the tenant pays no more than 30 percent of his or her adjusted income toward rent, the maximum rent may be the rent allowable under the project-based rental subsidy program.

Regardless of these rent maximums, consideration must be given to keeping the established rents at or below the actual market rent in the community of the proposed property to ensure marketability.

c. Utility allowances

HOME rents **include** utility allowances. The HOME Program utilizes MDOC Section 8 utility allowances. For all units subject to the maximum rent limitations in paragraphs (a) and (b), of this section for which the tenant is paying utilities and services, the Applicant must ensure that the rents do not exceed the maximum rent **reduced by** the monthly allowances for utilities and housing-related services, except telephone. Contact the HOME Program for utility allowances for the project area, or go to the Housing Division website at:

http://housing.mt.gov/Hous_S8.asp

NOTE: Acceptable equivalent data from Rural Development and Public Housing Authorities may be considered for utility allowances if approved by the HOME Program **prior to application submittal** and a letter of approval is submitted with the application.

d. Rent Adjustments

If a tenant's income changes during the affordability period, the project owner must take certain steps to maintain compliance with HOME rent and occupancy requirements.

- The project must maintain the correct number of High and Low HOME rent units.
- Rents must be adjusted for tenants whose incomes rise above 80 percent of the area median income.

MDOC will review any increase in rents to HOME-assisted units. **The owner MUST request MDOC approval and provide a 30-day written notice to tenants prior to any increase in rents.** If the published HOME rent decreases for HOME-assisted projects, an owner may continue to use the rents in effect at the time of project commitment.

2. Occupancy Requirements and Income Eligibility Requirement

Owners may not refuse to lease HOME-assisted units to a certificate or voucher holder under the Section 8 Program, or to a holder of a comparable document evidencing participation in a HOME tenant-based rental assistance (TBRA) program, because of the status of the prospective tenant as a holder of such certificate, voucher or comparable HOME TBRA document.

HOME rental housing has two constraints on occupancy:

a. At initial occupancy, the program funds rule applies to both rental units and TBRA assistance. It specifies that 90 percent of the total households assisted through the rental or TBRA program have incomes that do not exceed 60 percent of the area median income. The balance of rental units and TBRA assistance must assist tenants with incomes that do not exceed 80 percent of the area median income. In projects of five or more HOME-assisted units:

1) ***At least 20 percent*** of the HOME-assisted rental units must be occupied by families who have annual incomes that are 50 percent or less of median income. These very-low-income tenants must occupy units at or below the Low Home Rent level.

2) ***At least an additional 70 percent*** of the HOME-assisted rental units must be occupied by families with annual incomes that are 60 percent or less of AMI with rents not exceeding the High HOME Rent level.

3) ***The remaining 10 percent*** of the HOME-assisted rental units must be occupied by households with annual incomes that do not exceed 80 percent of AMI with rents not exceeding the High HOME Rents as described in the previous section.

b. For subsequent occupancy and for the duration of the period of affordability, in projects of five or more HOME-assisted units, at least 20 percent of the HOME-assisted rental units must be occupied by households with annual incomes that are 50 percent or less of AMI with unit rents at or below the Low HOME Rent.

The balance of the units may be occupied by tenants with incomes up to 80 percent of the median income with rents not exceeding the High HOME Rents.

A project that includes fewer than five HOME-assisted units is exempt from the 20 percent occupancy requirement both at initial and subsequent occupancy.

Current HUD HOME Income and Rent Limits are available at:

http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm

3. "Mixed Income" Project

HOME projects may have tenants with incomes above the area median income and low-income tenants living in the same building. A "mixed income" project refers to a housing project containing less than 100 percent of the units qualifying as affordable housing. All HOME funds used in conjunction with a mixed income project must be used solely for the benefit of the affordable units in the project. Any HOME-assisted units must meet the occupancy requirements and rent limitations identified in this section.

For purposes of meeting affordable housing requirements for a project, the dwelling units specified as affordable housing may be changed over the affordability period, so long as the total number of affordable housing units remains the same, and the substituted units are, at a minimum, comparable in terms of size, features, and number of bedrooms to the originally designated affordable housing units.

Common area costs will be prorated based upon the number of affordable units and market rate units.

4. "Mixed Use" Project

The term "mixed use" refers to housing in a project that is designed in part for uses other than residential. A building that is designed in part for other than residential housing may qualify as affordable housing under the HOME Program if such housing meets the rent limitations identified in this section. The laundry and/or community facilities that a project contains for the exclusive use of the project residents and their guests are considered residential use. Costs for common areas shared by both residential and commercial tenants shall be prorated.

5. **Maximum Per Unit Subsidy Amount**

The amount of HOME funds that may be invested in an affordable housing development are regulated under 24 CFR Part 92.250. HOME funds may not exceed the per unit dollar limits established by HUD under 221(d)(3) subsidy limits. The current 2006 limits may be found in **Exhibit 15**.

The published HOME subsidy limits are considered limits and not targets or average costs. Current MDOC HOME project comparables will continue to be the driving factor in approving project costs.

In no event may the maximum subsidy exceed the actual development cost of the HOME-assisted units based upon their proportionate share of the total development cost. Common area rehabilitation costs may be covered in the same proportion or percentage as HOME-assisted units in the project. For example, if five out of ten units in the structure(s) are HOME-assisted, HOME funds may be used to cover one-half the common area rehabilitation costs.

6. **Special Needs Housing: Group Homes and Single-Room Occupancy (SRO) Units**

Permanent housing for disabled homeless persons, group or transitional housing and single-room occupancy housing are eligible project activities. Applicants may choose to consider the housing unit as a single unit for HOME assistance purposes or, depending upon their size, choose to classify them as single-room occupancy (SRO) units. The maximum HOME subsidy amount will differ according to whether the housing unit is classified as a group home or an SRO.

A <u>group home</u> is housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the units and separate private space for each family, except in the case of shared one-bedroom units. It also includes group homes for elderly or disabled persons. These structures are usually large single-family units.

A <u>group home</u> is considered by HUD to be a <u>one-unit</u> project. A one-unit project consists of separate bedrooms and shared kitchen, dining, sanitary and/or other common area facilities. All occupants of single-unit HOME-assisted projects, except supportive service providers, must be low-income. Bedrooms occupied by resident supportive service providers are counted as eligible bedrooms for subsidy purposes. The <u>entire project is considered a single-unit for determination of the maximum HOME subsidy limit</u>. The <u>subsidy limit is based on the number of bedrooms</u> in the unit. See **Exhibit 15**.

An SRO is considered by HUD to be a <u>multiple-unit</u> project. <u>Single-room occupancy</u> is housing consisting of multiple single-room dwelling units that are the primary residence of the occupant or occupants. If the project consists of new construction, conversion of non-residential space, or reconstruction, each unit must contain either food preparation or sanitary facilities, or both. For acquisition or rehabilitation of an existing residential structure, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants. SROs do not include facilities for students. All occupants of HOME-assisted units must be low-income. The subsidy limit is based on the zero-bedroom subsidy amount times the number of units See **Exhibit 8** for a summary of the differences between SROs and group homes. **Exhibit 15** outlines the maximum per unit subsidy.

Applicants may wish to meet the standards for an SRO project by installing either or both sanitary or food preparation facilities. Doing this would create individual units, thereby increasing the number of units that may be assisted with HOME funds.

7. **Tenant Certifications and Recertifications**
   Tenant eligibility shall be determined by the owner at the time of occupancy and shall be reexamined at least annually.

8. **Tenant Income Increases (Not applicable for combined HOME/Low-Income Housing Tax Credit Properties)**
   Tenants who no longer qualify under the HOME income restrictions MUST pay for rent not less than 30 percent of the family's adjusted monthly income, as re-certified annually, and the unit must be marketed to HOME-eligible families when vacated.

9. **Tenant Protections**
   a. **Lease.** The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than ONE year, unless by mutual agreement between the tenant and owner.

   b. **Prohibited Lease Terms.** A list of prohibited lease terms is found in **Exhibit 9**.

   c. **Termination of Tenancy.** An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

d. Maintenance and Replacement. An owner must maintain the total development in compliance with all applicable housing quality standards and local code requirements.

e. Tenant Selection. An owner of rental housing assisted with HOME funds must adopt written tenant selection policies and criteria. A list of the minimum criteria is found in **Exhibit 10**. Owners may not refuse to lease a HOME-assisted unit to a family because it holds a HUD Section 8 Housing Choice Voucher.

B. HOMEOWNERSHIP

Homebuyer programs can be structured in any number of ways to encourage the acquisition, acquisition and rehabilitation, or the new construction of affordable homes. Program design will be guided mainly by community needs and the local housing market. **The following information pertains to both the Single Family Pilot Program and single family housing development through the Competitive process.**

1. Qualifications

The homeowner/homebuyer must have an annual income that does not exceed 80 percent of the area median income and must utilize the HOME-assisted residence as its principal residence.

For homebuyer assistance, the purchase price of the property cannot exceed the FHA 203(b) mortgage limits. For homeowner rehabilitation, the after-rehabilitation value cannot exceed the FHA 203(b) mortgage limits. Refer to **Exhibit 15** for the FHA 203(b) mortgage limits.

2. Recapture/Resale Restrictions

Homebuyers assisted under HOME will be subject to <u>**either**</u> **recapture** <u>**or**</u> **resale** guidelines as specified by 24 CFR 92.254. (Note: Applicants **may not** choose to do both.) Applicants for homebuyer assistance or single-family new construction projects must submit, as part of their Management Plans, their policy for recapture or resale if a home is sold during the period of affordability. Applicants should also outline their equity sharing policies.

Recapture:

A homeowner whose subsidy is subject to recapture is required to <u>repay all or a portion of the HOME subsidy</u> if the property is sold or transferred during the affordability period. The seller is allowed to sell the home to any willing buyer at any price as long as the HOME debt remaining on the property is repaid. If the sale of a HOME-assisted house during the affordability period results in repayment of the HOME subsidy and/or a share of the increased equity, the Grantee can use the proceeds as program income for any HOME-eligible activity as long as the grantee has an MDOC-approved program income plan. Up to 10 percent of the program income can be used for soft costs.

Resale:
The objective of the resale option is to continue the affordability of a property in the event of sale of the property. The Grantee must ensure that the terms of resale are both affordable to the new buyer and fair to the seller. Finding this balance may be complicated by fluctuations in price, interest rates, and availability in uncertain housing markets. In a typical program using this option, the seller is obligated to either find an income-eligible buyer who can afford the sales price, or sell the property to the Grantee at a price that will keep the property affordable for the next low-income buyer. In situations that might benefit from such controls, the resale option offers Grantees an attractive alternative to searching for other affordable properties in the future for their homebuyer programs.

If HOME assistance provides only development subsidy (construction, infrastructure, land acquisition, etc.), the resale option must be used because construction and development subsidy is not subject to recapture.

Equity Sharing:
In housing markets where property values increase rapidly, Grantees must consider how the appreciated value of a home would be dispersed between the Grantee and the homeowner at the time of sale. An equity sharing policy must be included with an Applicant's recapture or resale policy.

Foreclosure:
HUD released a new interpretation of recapture/resale provisions in cases of foreclosure. This new interpretation could result in Grantees paying the HOME investment back to the US Treasury. In order to avoid that scenario, Grantees are encouraged to set their recapture policies based on net proceeds available from the sale of a home. Such a policy allows a Grantee to collect as much of its HOME investment from the homebuyer, while preventing repayment of its HOME investment to the US Treasury.

C. MANUFACTURED HOUSING (EXCLUDING MODULAR HOUSING)

HUD has a specific definition for manufactured homes as well as specific requirements in order to be eligible for assistance with HOME funds. Frequent problems have arisen when attempts have been made to rehabilitate manufactured homes. For example, Applicants should consider whether it is the best use of public funds to spend $20,000 rehabilitating a unit, which will be worth only $5,000 when the rehabilitation is complete. Similarly, significant problems have arisen when families are relocated to older manufactured homes. The HOME Program encourages extra care and analysis when contemplating applications involving manufactured homes. Consideration of other alternatives, such as residual value, relocation to a conventional "stick-built" home in standard condition, purchase of modular housing, as well as down payment assistance, should be carefully evaluated. These alternatives may prove to be far more cost-effective in the long run.

HOME funds may be used to purchase and/or rehabilitate a manufactured housing unit, or purchase the land upon which a manufactured housing unit is located. At the time of project completion, manufactured housing that is rehabilitated with HOME funds must:

- Meet or exceed the standards established by the Manufactured Home Construction and Safety Standards Act in 24 CFR 3280. All transportable sections of manufactured homes built in the U.S. after July 15, 1976, must contain a red label, which is the manufacturer's certification that the home section is built in accordance with HUD's construction and safety standards. HUD standards cover body and frame requirements, thermal protection, plumbing, electrical, fire safety and other aspects of the home.
- be connected to permanent utility hook-ups;
- be located on land that is owned by the manufactured housing unit owner or on land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability; and
- be on a permanent foundation that meets local and State standards for this type of unit.

Applicants considering any housing activity involving manufactured housing must clearly state this in their application and provide a clear, justifiable rationale for the request.

D. TENANT-BASED RENTAL ASSISTANCE (TBRA)

TBRA is a rental subsidy program used to help an eligible tenant with rent costs and security deposits. TBRA payments make up the difference between the amount the family can afford to pay for housing costs (30 percent of adjusted annual income) and the rent standard of the housing selected by the family. The subsidy payment contract with the tenant cannot exceed 24 months. Prospective tenants must be notified that the TBRA assistance is temporary, not permanent in nature.

Because TBRA is a two-year program, it should be viewed as a <u>short-term solution</u> to a community's housing needs. Applicants must demonstrate how a TBRA program would be used to initially resolve a need and how the community plans to address that need through more permanent means.

The LBP requirements found in **Exhibit 7** apply solely to grantees proposing tenant-based rental assistance. These requirements must be incorporated into the Applicant's Management Plan.

HOME rental assistance must be <u>tenant-based</u>, not project-based. Tenants must be free to use their assistance in any eligible unit within the Grantee's jurisdiction. Furthermore, Grantees may not target their TBRA program to assist residents of specific projects.

Security deposit assistance cannot exceed the equivalent of two months rent for the unit and may be in the form of a grant or loan to the tenant. If security deposit assistance is repaid to the program, those repayments are considered program income.

The Grantee must establish a minimum tenant contribution to housing cost.

HOME TBRA assistance <u>cannot</u> be used for:

- assisting resident owners of cooperative housing;
- preventing the displacement of tenants from projects assisted with Rental Rehabilitation Program funds;
- providing vouchers to homeless persons for overnight or temporary shelter; and
- duplicating existing rental assistance programs.

V. APPLICATION PROCESS

Applicants must use the Uniform Application **<u>and</u>** these HOME Program Application Guidelines to request funding through the Competitive process for qualified projects. Applicants who do not meet minimum threshold requirements identified in Section VI, Ranking Criteria will not be ranked or considered for funding.

Funds expended prior to grant award are not reimbursable. Reimbursement of funds expended after grant award but prior to the release of funds is contingent on completion of an executed HOME Contract, an approved Environmental Review Record, a firm commitment of all funds, and an approved Management Plan. If a HOME Contract is not executed or a Grantee is unable to comply with the terms and conditions of the agreement, any costs incurred will be the responsibility of the Applicant.

A. ORDER OF APPLICATION

Each Applicant must submit an original and three copies of the application to the HOME Program, each copy in a three-ring binder. Applications also must follow the Required Order of Application found in **Exhibit 11**.

Applications are competitively ranked. Having all applications submitted in three-ring binders and organized following the Order of Application will result in a fair and equitable comparison of each application as well as making it easier for ranking team members to find justification for the Applicant's request. If the application is disorganized, the teams may not find information necessary to rank the application.

B. RESOLUTION TO SUBMIT AND AGREEMENT TO CERTIFICATIONS

Applicants must include a signed original *Resolution to Authorize Submission of Application* and an *Agreement to Certifications for Application* (including the *Certifications for Application)* with their application, found in **Exhibit 12.** Within the six-month period prior to submitting an application, each Applicant's governing body must adopt or pass, sign and date the resolution and agreement. Applicants should read this section carefully and fully understand the commitment and responsibilities associated with it. MDOC assumes the Applicant has determined its own legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. **NOTE:** <u>If the signed original Resolution is not available, a certified copy of the original resolution is acceptable</u>.

C. EVALUATION

In evaluating applications, MDOC will rank each application based on its own merits in comparison to those submitted by other HOME Applicants. After reviewing each application, a ranking team will evaluate the degree to which each proposed program responds to applicable criteria.

After submission of an application, Applicants are expected to keep MDOC informed of any developments that could affect the viability of the proposed project. MDOC may contact the Applicant to clarify issues, or to verify information contained in the application. A failure to respond to any criterion will result in <u>no points</u> being awarded for that criterion.

Numerical or percentage claims will be accepted and considered valid only to the extent they are clearly substantiated. <u>Do not</u> assume that ranking team members are aware of important details regarding your HOME proposal. Such details should be communicated as clearly and succinctly as possible. Likewise, Applicants must submit only information that supports or validates statements made in the application. Submitting a complete, 200-page Needs Assessment may be more detrimental to the overall evaluation than simply including a complete summary that is short and understandable. Conversely, providing no documentation to support or validate information will result in an equally low score.

D. DETERMINATION OF HOME AWARD

HOME funds are intended to be used as gap financing. The difference between total project costs and total available financing resources (including owner equity requirements) is referred to as the “gap”. A typical HOME financing project includes owner equity; conventional, Board of Housing and/or other financing; CDBG and/or other grants; LIHTC and other local public and private sources of funding; and HOME funds to fill the gap. Based on the combination of funding and anticipated project costs, an analysis to determine the necessary amount of HOME funds will be done at the time of application.

MDOC <u>will not</u> process any application that is not financially feasible.

Ranking will be completed and staff recommendations provided for consideration by the Montana Department of Commerce Director by the **first week of May 2007**. Upon Director approval, all Applicants will be notified, in writing, whether or not their applications have been selected for funding. Funding decisions are final. There is no appeal process. The HOME Program will not negotiate with any Applicant for an award of funds. The HOME Program encourages applicants not awarded funds to review the provided ranking narratives and contact the HOME Program for technical assistance in applying again for a later round of funding.

VI. RANKING CRITERIA

All projects under consideration for a HOME grant award are evaluated using the following specific criteria after the Minimum Threshold Requirements are met.

Financial Management	200 points
Program Management	100 points
Project Planning	100 points
Capacity Determination	200 points
Total points possible	***600 points***

In addition, a possible **50 bonus points** are available for Innovative Design in energy efficiency and green building. See Section VI, Part F (page 44) for more information.

Each criterion has been assigned a number of points representing its relative priority or worth. Each application is awarded points based on the Applicant's overall response to each specific criterion, in comparison to other applications. It is incumbent upon the Applicant to prepare and submit documentation to verify standards, conditions or statements presented in response to any of the ranking criteria. If you have a question or concern regarding any of the ranking criteria, you should contact the HOME program before submitting an application. Each of the four criterion listed above will be issued points according to the following point system:

Points Assigned	100	200
No Response (Applicant did not provide a response for criterion)	0	0
Minimum Response (Applicant has provided minimal response)	25	50
Average Response (Applicant has met regulatory requirements)	50	100
Good Response (Applicant has met regulatory requirements and has taken extra measures to address this criterion)	75	150
Excellent Response (Applicant has met regulatory requirements and has utilized an exemplary approach to address this criterion)	100	200

Applications for funding must receive at least 300 points in order to be eligible for funding. Each application may be assigned up to a maximum of 600 points.

A. MINIMUM THRESHOLD REQUIREMENTS

Applications must be complete when submitted to the Montana Department of Commerce (MDOC). The following identifies the minimum regulatory requirements to compete for HOME funds. Documentation must be provided where applicable. Omitting any information will result in an Applicant's non-consideration for funding. The application will not be ranked.

APPLICANT:____

☐ Local Government
☐ CHDO
☐ PHA

Type of activity: ____

APPLICANTS WHO FAIL TO MEET ANY OF THE FOLLOWING MINIMUM THRESHOLD REQUIREMENTS WILL NOT BE CONSIDERED FOR FUNDING. NOTE: If you feel a section is not applicable to your project or organization, contact the HOME Program for verification.

MINIMUM THRESHOLD REQUIREMENTS		
Included (X)	**Page No. or Tab**	
	For HOME use only	Application postmarked or received on or before application deadline date?
	For HOME use only	Did Applicant use current year format for Uniform Application and HOME Guidelines?
	For HOME use only	Did Applicant apply to HOME only once this round?
		Did the Applicant include an ***overall narrative***, not to exceed two pages, describing the proposed program? Does the narrative enable the ranking team to gain an immediate understanding of the overall scope of the HOME proposal, including the key elements of the program?
		If the Applicant is a CHDO or PHA, is there a letter of support for the project from the local jurisdiction(s) specifically stating the proposed housing project is consistent with the local comprehensive plans and zoning ordinances?
		Is the Resolution to Authorize Submission of Application and Agreement to Certification for Application dated within 6 months of the application submission and signed by the Chief Elected Official or Executive Officer? Does it include an original signature or a certified copy of an original?
		Is a copy of the MDOC "Certificate of Consistency with the Consolidated Plan" included in the application?

Included (X)	**Page No. or Tab**	
		Does the Implementation Schedule show that a contract between the grantee and MDOC will be signed within 4 months of grant award, and project completion within 24 months of contract execution?
Citizen Participation Process		
		Did the Applicant hold a public meeting within two months of the application due date?
		Did the Applicant submit a record of the public hearing, proof of advertisement, summary of comments, and a sign-up sheet of persons attending the meeting?
Match Eligibility		
		Will the minimum 5% match requirement be met with match eligible funds?
		Is a copy of the MDOC HOME match confirmation letter included in the application?
Site Control		
		For rental or new construction projects, does the Applicant have firm evidence of site control? (*Title, deed, 75-year lease, etc.*)
Environmental Review		
		Has a preliminary environmental review been completed?
		Have CHDOs and PHAs provided documentation that the unit(s) of local government(s) has(have) agreed to conduct the ER on behalf of the CHDO or PHA?
CHDO Requirements		
	For HOME use only	Is there a current year MDOC CHDO certification on file for the Applicant?
	For HOME use only	Has the CHDO submitted a summary of recent years operating expenses?
	For HOME use only	Are the CHDO's HOME-funded operating expenses less than 50% of the CHDO's total operating expenses or $50,000, whichever is greater whichever is greater?
Tenant Relocation		
		Have existing tenants been properly informed of relocation procedures?

Included (X)	Page No. or Tab	
Past Grantee Eligibility		
	For HOME use only	Are all HOME grant(s) over two (2) years old (FFY 2003 and earlier) complete and with a conditional closeout submitted?
	For HOME use only	Are all open 2004 or 2005 HOME grants at least 75% spent down?
	For HOME use only	If prior HOME grant(s) outstanding, have all audit, monitoring, or performance findings been resolved?
	For HOME use only	If prior HOME grant(s) outstanding, is Applicant in compliance with project Implementation Schedule?

B. FINANCIAL MANAGEMENT (200 POINTS)

This ranking criterion will establish the financial feasibility of an application. Points will be awarded to applications based on the extent that application material supports project feasibility and viability. **An application must receive at least 50% of the total possible points in this ranking category to receive funding.** Points will be awarded based on the following subcategories.

1) Demonstrate that HOME is providing gap financing. Applicants receiving maximum points in this category will have a low percentage of HOME funds relative to the total costs of the project.

Percentage of HOME funds to total project costs: ________%

Calculation Method: Total HOME Funds / Total Project Cost

Example: The total costs are taken from the Uniform Application: Part II Uses of Funds. The total cost of project is $2,500,000. The Total HOME Funding is $500,000:

$500,000 / $2,500,000 = .20 = 20%.

2) Demonstrate financial support from an acceptable mix of confirmed public and private sources with documentation for each activity.

The ranking team will consider the following:

- Funding from local governments
- Reduced fees or other incentives from local governments
- Funding from other federal agencies
- Funding from private investors
- Funding from foundations

3) Provide a detailed line item narrative for the entire budget submitted as part of the Uniform Application, Part I and II for all Applicants. Rental projects must also provide a narrative for Parts III through VI.

The line item narrative must justify budget amounts and assumptions with either third party documentation or past experience with project in similar markets. At a minimum, the proposed budget in the Uniform Application must adhere to the following:

- Sources of Funds (Part I) equal Uses of Funds (Part II)
- Columns and rows add correctly
- HOME column includes only acceptable budget line items (See **Exhibit 13** for HOME-acceptable costs)
- Correct calculation of project soft costs
- CHDOs only: Correct calculation of developer fee.

Part I Sources of Funds – Demonstrate a reasonable estimate and commitment of all sources and amounts of project revenue. In assessing this subcategory, the ranking team will consider the following:

- Written funding commitments provided, either firm or contingent upon receipt of HOME funds
- Letter(s) from permanent lenders
- Letter(s) of debt capability review by permanent and construction lenders
- Tax credit proceeds, if applicable, that reflect current market sale rates
- Letter(s) of interest from other proposed funding source(s)

Part II Uses of Funds – Demonstrate reasonable estimates of program costs. Depending on the type of program, Applicants must include credible, third-party support for either the project's construction/rehabilitation costs or the cost of single-family homes for sale in the Applicant's jurisdictional area. In assessing this subcategory, the ranking team will consider the following:

- Credible third-party bid
- Estimate by architect
- Estimates by material supplier
- Appraisal of property
- Realtor's assessment with properties identified
- Other third-party documentation (pre-approved by HOME program)

Again, ensure that only HOME-acceptable costs, as shown in **Exhibit 13**, are included in the HOME column of the Uses of Funds statement.

Parts III – VI apply to rental projects only and must be filled out in their entirety. Each section must be supported by either credible, third party documents, justification based on experience with similar properties in similar markets, or a justification as to why the item is not applicable to the property. Do NOT add or subtract lines to/from the form or change formulas. Formulas in one section may affect formulas in another section.

Part III Utility Allowance Information – Demonstrate that utility allowances are based on acceptable sources. Applicants must use current Section 8 or equivalent data. Acceptable equivalent data from Rural Development-funded projects includes an averaging of actual use for existing projects and an averaging of similar properties in the area for new construction. Use of equivalent data must be pre-approved by the HOME program prior to application submittal.

Part IV Rent and Forecasted Income – Demonstrate a realistic statement of projected revenue. In assessing this subcategory, the ranking team will consider the following:

- Use of current applicable HOME rent limits
- Use of current project-based rent (if applicable)
- Use of correct utility allowance
- Calculation of correct Gross Monthly Income
- Justified vacancy rate

- Explanation of and support for Other Project Income
- Justification for Projected Annual Percentage Increase in Income

Part V Annual Operating Expenses – Demonstrate a complete and realistic accounting of Annual Operating Expenses. In assessing this subcategory, the ranking team will consider the following the justification provided for:

- Administrative costs
- Operating costs
- Maintenance costs
- Taxes
- Annual replacement reserves
- Projected annual percentage increase in operating expenses

Part VI – 15-Year Operating Pro Forma – Demonstrate the projected cash flow of the project, accounting for its debt capability, reserve replacement account, and repairs. In assessing this subcategory, the ranking team will consider the following:

- Correct Rent (Income) calculations
- Correct Operating Expense calculations
- Replacement Reserve justification
- Debt Service justification
- Net Cash flow
- Debt Coverage Ratio between 1:15 and 1:30

4) Applicant must accurately assess soft costs relative to type of activity. Applicants requesting less than the allowed amount of soft costs may receive a higher score in this area.

Soft costs must be equal to or less than:

- 8% for new construction, acquisition, and TBRA
- 10% for homebuyer assistance
- 12% for rehabilitation projects

Percentage of soft costs to HOME project costs: ________%

There are two ways to calculate soft costs as demonstrated by the following examples:

1. For a rehabilitation project:
   $300,000 X 0.12 = $36,000 (soft costs)
   $36,000 + $300,000 = $336,000 (total HOME request)

2. For a new construction project:
   $400,000 ÷ 1.08 = $370,400 (HOME Project costs, rounded to the nearest $100)
   $400,000 - $370,400 = $29,600 (soft costs)

5) Demonstrate that the match obligation will be met. Include commitment letters from match contributors with dollar amounts.

6) If a CHDO Applicant uses an indirect cost allocation plan, submit a copy of the federally–approved plan.

7) <u>Applicants do not respond to this section.</u> Ranking teams are required by federal regulation to perform a subsidy layering review of each project requesting federal funds. The layering review will assess if a project is over-subsidized with public funds.

C. PROGRAM MANAGEMENT (100 POINTS)

The Applicant must provide a Management Plan following the outline provided in **Exhibit 14**. A Management Plan is essential for both the administration of the grant funds, and compliance throughout the period of affordability.

The outline provided in **Exhibit 14** is a tool that must be used to organize the entire program before the application is submitted. The Applicant's Management Plan must demonstrate an understanding of the entire project's life, from application through the end of the period of affordability. Familiarity with HOME requirements and regulations, and how they are integrated in the organization, must be evident in the Management Plan. The Management Plan submitted with the application will be reviewed more thoroughly by the HOME staff before adoption by the Applicant if the grant is awarded.

The Management Plan ensures continuity in the administration of the program, regardless of changes in personnel. Applicants must follow the outline provided to receive points in this criterion. The Management Plan must demonstrate the ability of the Applicant or its management entity to manage the project throughout the period of affordability regardless of internal changes (loss of staff, reorganization, etc.).

Pre-approved Rural Development (RD) or HUD-funded Management Plans are acceptable as long as they meet the HOME Management Plan requirements. Additional items required by HOME, but not included in the RD or HUD Management Plan, must be added. To aid in scoring an RD or HUD Management Plan, the Applicant must use the HOME Management Plan outline to identify and reference page numbers and sections where corresponding information may be found in the RD or HUD Management Plan.

D. PROJECT PLANNING (100 POINTS)

In this section, the Applicant describes the planning process that led to this project. Applicants must provide documentation to support quoted statements or data. Superfluous documentation beyond what is necessary will result in a lower score.

1) Provide a summary of the planning that led to this project. Include when planning started, what entities were instrumental in the process, and why this project was undertaken.

2) Outline the public meeting process and other methods used to encourage maximum citizen participation during the planning process and development of the housing project. Include a record of hearings or meetings, copies of the public notice or affidavits of publication, names of persons attending, summary of comments received at the public hearings or meetings, minutes, and records of any other meetings in addition to the meetings specified in the minimum requirements. Applicants showing additional citizen involvement beyond the minimum requirements will rank more competitively.

3) Document the housing needs of project beneficiaries, assessing the willingness and ability of potential beneficiaries to participate in the proposed project. Provide documentation to support the choice of beneficiaries. This may include, but is not limited to, wait lists, market studies, market analysis, pre-qualified homebuyers, and lists of qualified households.

4) Identify special housing needs populations served by the project, i.e., homeless persons, people with serious disabling mental illness, people with developmental disabilities, people with physical disabilities, elderly individuals or households, TANF recipients, single heads of households, etc.

5) Identify strategies for value engineering or other cost effective measures, enhanced physical accessibility, approaches to periods of affordability, internal space use, land use, aesthetically pleasing design elements, financing, partnerships, under-served populations, or other innovative approaches the Applicant believes to be important in development of the proposed housing project.

6) Describe how the project location or targeted area provides project beneficiaries close access to essential community services. Include a map of the project location or targeted area.

7) If supportive services are to be provided, describe the services and their level of intensity, and provide a firm letter of intent from the service provider.

E. CAPACITY DETERMINATION (200 POINTS)

These ranking criteria measure the ability of the Applicant to meet the housing purposes and goals presented in its application.

1) Describe the Applicant's experience managing past HOME grants.

2) List all housing-related projects with which the Applicant has been involved.

3) FOR <u>NEW</u> APPLICANTS ONLY:

a) Has the Applicant demonstrated its ability to manage similar grant programs or other public funds?

b) Has the Applicant developed a working relationship with a management team or firm, which has successfully managed similar grant programs or other public funds?

4) Explain how the Applicant has the capability to carry out the project and to what degree the project is ready to proceed.

In assessing the Applicant's readiness to proceed, the ranking team will consider the following, depending on the type of project:

- site control
- sufficient contractors and their availability
- existence of waiting lists
- completion of engineering and/or architecture studies
- commitment of other sources of funds
- completion of an Environmental Review Record
- thoroughness of the Management Plan submitted with the application
- demonstrated demand for the project
- existence of project policies and documents
- existence of realistic implementation schedule indicating a contract will be signed within 2 months of grant award; funds released within 4 months; and project activities completed within 24 months
- availability of management resources for this project, taking into account current HOME, CDBG, LIHTC, TSEP or other projects key personnel are managing

5) <u>RELEASE OF FUNDS IS CONTINGENT ON THE REVIEW AND APPROVAL OF AN ENVIRONMENT REVIEW RECORD/ASSESSMENT.</u> If the Applicant has completed an Environmental Review Record, beyond the minimum required in the Uniform Application, Section D, provide a copy to ensure project meets this criterion for the release of funds.

6) Submit a proposed development site plan showing build-up of the site including location of all proposed buildings, streets, parking areas, service areas, playgrounds and any other significant details of the site.

- Submit a typical floor plan for each living unit.
- Provide a preliminary architectural plan for development.
- Provide evidence of firm site control. The following are acceptable:
  - Purchase (buy/sell) agreement or option to purchase, signed by both parties
  - Warranty deed or title
  - Long-term lease agreement (minimum 75 years), signed by both the lessor and lessee
  - Executed contract for deed

7) Provide evidence that the project site is properly zoned at the time of application.

8) Provide evidence of availability of utilities at the site. Acceptable documentation is a letter from the municipality where the project will be located, or from the applicable utility company. Include all required easements.

9) <u>Applicants do not respond to this section</u>. However, Applicants are encouraged to contact the HOME program for a summary of past performance issues to include with this section. This criterion assesses Applicant's past performance relative to the HOME program. Points will be awarded based on HOME program records.

- Has the Applicant completed and submitted all past year's income certifications as required in their contracts?
- Has the Applicant completed and submitted all past year's program income/CHDO proceeds reports as required in their contract?
- Has the Applicant expended program income/CHDO proceeds or returned them to MDOC in a timely manner?
- Has the Applicant received any Concerns, Questions of Performance, or Findings on past monitoring reviews? Are they resolved?
- Has the Applicant successfully managed past funding awards for itself and/or other Grantees under contract?
- Has the Applicant adhered to its Implementation Schedule and completed past HOME projects within 24 months from date contract was signed by MDOC Director?
- Has the Applicant successfully fulfilled its commitments from prior year grant awards? For example, is the Applicant continuing to meet the needs at the income level committed to in previous applications through the required period of affordability?

F. INCENTIVES FOR INNOVATIVE DESIGN (50 POINTS)

A possible **50 bonus points** are available to all applicants who implement the following energy conservation and green building measures. To be eligible for these bonus points, the applicant must provide a narrative justifying each item proposed. The applicant's architect must provide certification upon completion of the project confirming that the initiatives were incorporated. **NOTE: The standards prescribed by *ResCHECK* will NOT be accepted.**

ENERGY	**Scoring Items**	**New**	**Rehab**	**Points Received**
Threshold	Insulation and Windows exceeding IECC 2006 standards			
Threshold	Add Air Lock Doors			
Threshold	Furnace/Boiler that exceeds IECC 2006 standards, or Electric heating that meets Super Good Sense standards			
Threshold	Energy Star appliances			
	20 Threshold Points			20
*Discretionary	Water Flow Saving Devices			
*Discretionary	Florescent Lights			
*Discretionary	Solar Photovoltaic Panels			
*Discretionary	Ceiling Fans – Living Room & Bedroom			
*Discretionary	Geo-Thermo heating/Ground Source			
*Discretionary	Light Colored Roofing/Metal Roofing			
*Discretionary	Whole Unit Circulating Fan			
*Discretionary	Permeable Paving			
*Discretionary	Programmable Thermostats			
*Discretionary	Hot Water Pipe Insulation			
*Discretionary	Minimize Glass on East/West Exposure			
*Discretionary	Building Orientation			
*Discretionary	Commissioning Conducted			
*Discretionary	Window Overhang			
*Discretionary	Other *(List)*			
	Number of Scoring Items			
	Subtotal Energy Discretionary Points (10 Maximum)			
	TOTAL ENERGY POINTS (30 Maximum)			

Discretionary items for new construction: **5 points for 4 to 7 of 15 items; **10 points** for 8 to 15 of 15 items*
Discretionary items for rehab construction: **5 points for 3 to 5 of 15 items; **10 points** for 6 to 12 of 15 items*

GREEN BUILDING	**Scoring Items**	**New**	**Rehab**	**Points Received**
Threshold	Low/No VOC paint/adhesive			
Threshold	Use of Montana products			
10 Threshold Points				10
*Discretionary	Engineered Lumber (GluLam, etc.)			
*Discretionary	Flyash Concrete Greater than 30%			
*Discretionary	Recycled Insulation			
*Discretionary	Recycled Sheetrock			
*Discretionary	Water Efficient Landscaping			
*Discretionary	Formaldehyde Free/Full Sealed Counter-Top and Cabinets			
*Discretionary	Dimmable Lights (Common Areas)			
*Discretionary	Task Lighting (Shine Down)			
*Discretionary	Motion Sensor Light Switches			
*Discretionary	On-site Recycle of Construction Material			
*Discretionary	Vented Range/Bathroom Fans			
*Discretionary	Recycled material Carpet/Flooring			
*Discretionary	Other *(List)*			
*Discretionary	Other *(List)*			
*Discretionary	Other *(List)*			
Number of Scoring Items				
Subtotal Green Building Discretionary Points (10 Maximum)				
TOTAL GREEN BUILDING POINTS (20 Maximum)				
Discretionary items:* ***5 points* *for 3 to 5 of 15 items;* ***10 points*** *for 6 to 10 of 15 items*				
TOTAL BONUS POINTS (50 Maximum)				

For information/assistance on energy conservation measures for multi-family projects, contact Montana Department of Environmental Quality, Rebuild America Program, at 406/444-6758.

EXHIBITS